

**University of Technology Sydney
UTS Business School**

**Tapping into foreign markets:
Internationalisation of the craft beer industry from
small open economies**

**Pavlina Jasovska
A thesis submitted in fulfilment of the requirements for the degree of
Doctor of Philosophy**

**2019
Sydney, Australia**

CERTIFICATE OF ORIGINAL AUTHORSHIP

I, Pavlina Jasovska, declare that this thesis is submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the Business School at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis. The document has not been submitted for qualifications at any other academic institution. This research is supported by an Australian Government 'Research Training Program' Scholarship.

Signature of Student:

Production Note:

Signature removed prior to publication.

Pavlina Jasovska

Date: 31.1.2019

ACKNOWLEDGEMENTS

While writing a doctoral thesis is an individual and often solitary endeavour, I have been very fortunate that many people supported me during the whole candidature. First and foremost, I would like to express my sincere gratitude to my primary supervisor Associate Professor Hussain Rammal for his continuous support of my writing and related research. His patience, mentorship, knowledge and profound belief in my work contributed to the fact that I could not have imagined a better supervisor for my thesis. I also gratefully appreciate the devotion of the other members of my supervisory panel. Before transferring to the University of Technology Sydney (UTS), I spent almost two years at the University of South Australia (UniSA), where Dr Jo Tingey-Holyoak served as my co-supervisor. I would like to recognise her generous support and warm encouragement, which always filled me with enthusiasm. At the UTS, the new members of my supervisory panel Professor Carl Rhodes and Dr Anthony Fee significantly enhanced the quality of my thesis. In particular, Carl's comments on theoretical framing and Tony's guidance on the research design were an enormous help to me. Many thanks, to you both.

Furthermore, I wish to acknowledge Associate Professor Danielle Logue, whom I informally considered as a fourth member of my PhD panel. Her guidance, theoretical expertise and time spent on reading my drafts helped immensely. From the UTS Business School, I would like to offer special thanks to Associate Professor Deborah Edwards for her kindness and invaluable comments on my final draft and Ashleigh Crammond for administrative support.

I have also been fortunate to receive feedback from the experts in the field of international business, such as Professor Beth Rose, Associate Professor Catherine Welch and Professor Peter Liesch. Thank you, all for your comments, encouragement and interest in my work. The ideas that form this thesis would not have been clearly shaped without countless discussions at various conferences around the world.

To a great extent, this research and all my associated travel adventures would be not completed without the generous financial support from the UniSA Business School, UniSA School of Commerce, UTS Business School and UTS Management Discipline Group. I gratefully recognise this assistance. I want to also thank the Australian Government for granting me the Australian Government Research Training Program Scholarship (formerly known as Australian Postgraduate Award).

The data collection would not be possible without the interview participants, such as owners and managers of breweries and various industry experts. Thank you, for taking time in your busy schedules to talk about your beer brewing passion, I am much indebted. My thanks also go to Cheryl Malone and Kateřina Budín for their excellent job in editing and proofreading work. Remaining errors in the dissertation are mine alone.

My sincere appreciation goes to my PhD colleagues at UniSA and UTS but also to other doctoral students, whom I repeatedly met at academic conferences. In particular, thank you Elnaz, Jay, Allen, Jensen, Joy, Quyen, Anja, Najmeh, Varina and the whole Nord IB 2016 cohort for all those informal talks, comradery, and moments of being away from the computer.

I would like to offer my special gratitude to my father Pavol, my grandparents and my mother-in-law Iva, who always celebrated my little achievements even though being so far away.

Finally, thank you, Martin, for going beyond what a great husband of a PhD scholar should be. Your patience and sacrifice will remain inspiration throughout my life. And to my Adam, thank you, for bringing joy to our lives. This thesis is for you both.

TABLE OF CONTENTS

| | | |
|----------|---|-----------|
| 1 | Introduction..... | 1 |
| 1.1 | Background and motivation..... | 1 |
| 1.2 | Research problem | 3 |
| 1.3 | Research focus | 5 |
| 1.3.1 | Context..... | 5 |
| 1.3.2 | Methodology | 6 |
| 1.4 | Contributions | 7 |
| 1.5 | Thesis structure..... | 9 |
| | | |
| 2 | Internationalisation of smaller firms | 11 |
| 2.1 | Chapter introduction | 11 |
| 2.2 | Liabilities of smaller firms during internationalisation | 11 |
| 2.2.1 | Liability of foreignness | 12 |
| 2.2.2 | Liability of newness | 13 |
| 2.2.3 | Liability of smallness | 14 |
| 2.3 | Overcoming liabilities of smaller firms during internationalisation | 14 |
| 2.3.1 | Optimal ownership and control of foreign market assets | 16 |
| 2.3.2 | Gaining experiential market knowledge | 17 |
| 2.3.3 | Building relevant relationships | 18 |
| 2.3.4 | Having managers with proactive, risk-taking and innovative attitudes | 19 |
| 2.4 | Internationalisation of smaller peripheral firms from hierarchical industries | 20 |
| 2.4.1 | Market category of smaller peripheral firms | 21 |
| 2.4.2 | Internationalisation as a process of strategic legitimisation | 22 |
| 2.5 | Chapter summary..... | 25 |
| | | |
| 3 | Legitimation strategies during internationalisation | 26 |
| 3.1 | Chapter introduction | 26 |
| 3.2 | Defining legitimisation strategies | 26 |
| 3.2.1 | Theoretical background of strategic legitimacy | 27 |
| 3.2.2 | Legitimation strategies | 31 |
| 3.2.3 | Legitimation strategies: Seeking market category membership | 33 |
| 3.3 | Mechanism of legitimisation strategies: The process | 36 |
| 3.3.1 | Evaluators conferring legitimacy | 38 |
| 3.3.2 | Legitimacy evaluation criteria | 39 |
| 3.3.3 | Engaging in legitimisation strategies | 41 |
| 3.4 | Evidence of legitimisation strategies in international business | 43 |
| 3.4.1 | Legitimation strategy instruments | 43 |
| 3.4.2 | Changing processes, structures and strategies | 46 |
| 3.4.3 | Using symbols..... | 53 |
| 3.5 | Unanswered questions in the literature..... | 58 |
| 3.6 | Research questions and research framework | 62 |
| 3.7 | Chapter summary..... | 65 |

| | | |
|----------|---|------------|
| 4 | Research design..... | 66 |
| 4.1 | Chapter introduction | 66 |
| 4.2 | Case study..... | 66 |
| 4.2.1 | Role of the case study in the selected context..... | 66 |
| 4.2.2 | Multiple-embedded case study design | 67 |
| 4.2.3 | The choice of cases and units..... | 71 |
| 4.2.4 | Summary of case study research design | 76 |
| 4.3 | Data collection..... | 76 |
| 4.3.1 | Interviews..... | 77 |
| 4.3.2 | Documents | 83 |
| 4.4 | Data analysis..... | 86 |
| 4.4.1 | How to theorise from the data..... | 86 |
| 4.4.2 | Stages of data analysis | 87 |
| 4.5 | Ethical considerations..... | 93 |
| 4.6 | Chapter summary..... | 94 |
| | | |
| 5 | Research setting: Craft beer industry in four small open economies..... | 96 |
| 5.1 | Chapter introduction | 96 |
| 5.2 | What is ‘craft’ beer? | 96 |
| 5.3 | From scale to authenticity-based rivalry in the beer industry | 100 |
| 5.3.1 | Demise of small-scale production..... | 101 |
| 5.3.2 | Winning with authenticity..... | 103 |
| 5.3.3 | Boiling industry tensions | 106 |
| 5.4 | Four countries – four craft beer industries..... | 110 |
| 5.4.1 | The steady growth of Australian breweries | 110 |
| 5.4.2 | Microbrewery revolution in the Czech conditions..... | 114 |
| 5.4.3 | Danish breweries aiming for global recognition..... | 117 |
| 5.4.4 | Distant and rapidly emerging New Zealand breweries..... | 120 |
| 5.4.5 | Overview of the cases | 122 |
| 5.5 | Chapter summary..... | 124 |
| | | |
| 6 | Findings: Building legitimisation strategies during internationalisation | 125 |
| 6.1 | Chapter introduction | 125 |
| 6.2 | Triggers to legitimisation strategies | 127 |
| 6.2.1 | Tapping into the peripheral field..... | 130 |
| 6.2.2 | Template stickiness | 134 |
| 6.2.3 | Identity dissonance..... | 137 |
| 6.3 | Context dynamics | 140 |
| 6.3.1 | Vagueness of industry symbols | 141 |
| 6.3.2 | Cross-country incongruity of industry definitions | 145 |
| 6.4 | Legitimation strategies, overarching mechanisms and delegitimation of rivals . | 148 |
| 6.4.1 | Overview: Strategies, mechanisms and outcomes | 148 |
| 6.4.2 | Stretching market category | 153 |
| 6.4.3 | Corroborating market category | 171 |
| 6.4.4 | Moulding market category | 188 |
| 6.5 | Postscript: Summary of the cross-country similarities and differences | 207 |
| 6.6 | Chapter summary..... | 210 |

| | | |
|----------|---|------------|
| 7 | Discussion and conclusions | 211 |
| 7.1 | Chapter introduction | 211 |
| 7.2 | Towards a model of competition for legitimacy during internationalisation | 212 |
| 7.2.1 | Triggers to legitimisation strategies | 214 |
| 7.2.2 | Context dynamics | 217 |
| 7.2.3 | Legitimation strategies | 220 |
| 7.2.4 | Overarching mechanisms | 228 |
| 7.2.5 | Delegitimation of rivals | 231 |
| 7.3 | Theoretical contributions | 232 |
| 7.3.1 | Strategic responses to legitimacy pressures | 233 |
| 7.3.2 | The role of industry layers in the strategic legitimisation | 235 |
| 7.3.3 | Strategic legitimisation of smaller firms | 236 |
| 7.3.4 | Market categorisation across time and space | 238 |
| 7.4 | Implications for practice | 239 |
| 7.4.1 | Managers/owners of smaller businesses | 240 |
| 7.4.2 | Government regulators and industry bodies | 241 |
| 7.5 | Limitations and directions for future research | 243 |
| 7.6 | Concluding thoughts | 245 |
| | | |
| | Appendices | 247 |
| | Appendix 1: Overview of breweries | 247 |
| | Appendix 2: Interview participant consent form: English language | 253 |
| | Appendix 3: Interview participant consent form: Czech language | 254 |
| | Appendix 4: Ethics approval | 255 |
| | Appendix 5: Interview guidelines for brewery owners and managers | 256 |
| | Appendix 6: Interview guidelines for industry experts | 260 |
| | Appendix 7: Interview participants' details | 264 |
| | Appendix 8: Initial code-book in the paper-pencil coding stage | 266 |
| | | |
| | References | 268 |

LIST OF FIGURES

| | |
|---|-----|
| Figure 1-1: Thesis structure | 9 |
| Figure 2-1: Overview of internationalisation of smaller firms | 16 |
| Figure 2-2: Overview of hierarchical industries | 21 |
| Figure 2-3: Overview of internationalisation of smaller peripheral firms | 24 |
| Figure 3-1: Legitimation strategies to gain membership in the market category: Overview of conceptual foundations | 35 |
| Figure 3-2: Mechanism of legitimisation strategies..... | 37 |
| Figure 3-3: Legitimation strategies in international business | 44 |
| Figure 3-4: Research framework and research questions | 63 |
| Figure 4-1: Cases and units of analysis..... | 68 |
| Figure 4-2: Multiple-embedded case study design and the link to research questions..... | 76 |
| Figure 4-3: Overview of the data collection techniques | 77 |
| Figure 4-4: Data analysis process | 87 |
| Figure 4-5: Example of the link between data and codes | 92 |
| Figure 4-6: Structure of the research settings, findings, and model development..... | 95 |
| Figure 5-1: Definition of small and/or independent brewery by taxation offices in respective countries (annual production in thousand hl)..... | 98 |
| Figure 5-2: Historical development of the craft beer industry..... | 100 |
| Figure 5-3: Global beer market share (% , 2017) | 102 |
| Figure 5-4: Growth of craft beer (number of establishments, 2005 and 2017) | 103 |
| Figure 5-5: Comparison of the decline of Budweiser and the growth of craft beer in the US (annual production in million hl) | 108 |
| Figure 6-1: Overview of the data structure | 126 |
| Figure 6-2: Links between the triggers to legitimisation strategies | 129 |
| Figure 7-1: Model of competition for legitimacy during internationalisation | 213 |

LIST OF TABLES

| | |
|---|-----|
| Table 2-1: Liabilities of smaller firms during internationalisation | 12 |
| Table 2-2: Overcoming liabilities during internationalisation..... | 15 |
| Table 3-1: Theoretical approaches to organisational legitimacy | 28 |
| Table 3-2: Legitimacy evaluation criteria..... | 40 |
| Table 3-3: Legitimation strategies in IB: Changing processes, structures and strategies | 46 |
| Table 3-4: Legitimation strategies in IB: Using symbols | 53 |
| Table 4-1: Overview of the country cases | 72 |
| Table 4-2: Overview of key informants..... | 78 |
| Table 4-3: List of documents utilised | 84 |
| Table 5-1: Major forces behind the decline and the growth of the craft beer industry..... | 109 |
| Table 5-2: Overview of the selected countries and their beer industries | 123 |
| Table 6-1: Triggers to legitimisation strategies | 129 |
| Table 6-2: Context dynamics | 141 |
| Table 6-3: Craft beer definition according to industry and regulatory bodies..... | 144 |
| Table 6-4: Summary of legitimisation strategies | 149 |
| Table 6-5: Summary of strategies and their underlying mechanisms with examples..... | 152 |
| Table 6-6: Stretching market category strategies..... | 154 |
| Table 6-7: Corroborating market category strategies | 172 |
| Table 6-8: Moulding market category strategies | 190 |
| Table 7-1: Links between market category manipulation, context and mechanisms | 230 |

LIST OF ABBREVIATIONS

| | |
|----------------|------------------------------------|
| AU | Australia |
| AUS\$ | Australian dollar |
| CSR | Corporate Social Responsibility |
| CZ | Czech Republic |
| DK | Denmark |
| EU | European Union |
| hl | Hectolitre |
| IB | International business |
| M&A | Mergers and acquisitions |
| MNEs | Multinational enterprises |
| NA | Not applicable |
| NZ | New Zealand |
| SMEs | Small and medium-sized enterprises |
| SMOPEC | Small open economies |
| UK | United Kingdom |
| US | United States of America |
| US\$ | American dollar |

KEY DEFINITIONS

Craft brewery

= microbrewery

A craft brewery is a small and independent brewery, which uses traditional or innovative beer production methods. The craft brewery is independent when at least 75 per cent is owned by the brewery and is traditional in their use of authentic and anti-mass production methods. Small operations are considered either to have production of less than 200,000 hl or to be employing fewer than 200 people.

Large beer company

= beer multinational enterprise (MNE) or beer corporation

A large beer company is a corporation owning multiple breweries and beer brands focusing on industrial or mainstream production by using automated processes, licensing a brewing production and mergers and acquisitions (e.g. AB InBev, Heineken, SAB Miller, Carlsberg, Kirin and Asahi).

Smaller firm

A smaller firm in this study is classified in terms of definitions of small and medium-sized enterprises in Australia, New Zealand and the European Union (Denmark and the Czech Republic) and is defined by employee headcount (see table below).

Table: Small and medium-sized enterprises in the studied countries

| | Micro | Small | Medium |
|---|-------|-------|--------|
| European Union (the Czech Republic, Denmark) | <10 | <50 | <250 |
| Australia | <4 | <19 | <200 |
| New Zealand [*] | <4 | <19 | |

Sources: EC, 2012; APH, 2015; MBIE, 2014

[*] Small and medium-sized enterprises in New Zealand are defined as having fewer than 19 employees. However, for the purpose of this research, the definition of medium enterprises is extended to the European Union (EU) definition of 250, as the percentage proportion of New Zealand companies and overall size structure are very similar to EU ones (MBIE, 2014).

ABSTRACT

Many industries today are characterised by a small number of multinational enterprises (MNEs) dominating and controlling global markets. Whilst consolidation of their activities has resulted in the emergence of smaller firms occupying the market periphery, hostile attacks by large companies have violated the integrity of smaller actors. In order to reap premium prices, MNEs use their power to appear as producers of artisan, boutique, small-batch, local, organic, craft, hand-made or farm-to-table offerings. This issue raises a question about how smaller, resource-poor companies can internationalise and respond to attacks from larger players.

Extant literature in the field of international business (IB) posits that smaller internationalising firms use traditional resources such as organisational capabilities, knowledge, networks and skilled managers to overcome risks and uncertainties. While IB research has provided valuable insights, these strategies are likely to fail when facing the power and economies of scale of large corporations. Despite the current development in global industries, we know little about how smaller actors, ill-equipped with resources, develop strategies beyond their firm-level advantages. To address these shortcomings, I redeploy the concept of legitimisation strategies in IB beyond its traditional definition of an adaptation to foreign country scripts. In particular, I apply the notion of market category membership-seeking strategies – activities of firms portraying their legitimacy as an affiliation in a favourable industry or market category.

In this thesis, I examine internationalisation of the craft beer industry from four small open economies: Australia, New Zealand, Denmark and the Czech Republic. Employing the qualitative, multiple-embedded case study design, I find that craft breweries recombine the attributes defining their market category and delegitimise infiltration tactics of large producers by making their inauthentic products visible.

By developing a model of competition for legitimacy during internationalisation, I contribute to the smaller firm internationalisation literature. I provide evidence about the power of smaller actors and their use of non-traditional resources to survive in foreign markets. This thesis also adds to the intersection of IB and legitimisation strategies by showing that smaller firms engage in deliberate manipulation of market categories across borders to benefit themselves over their rivals. In terms of contribution to practice, the research outcomes will serve as a guideline for industry and government bodies striving to create sustainable growth conditions and fair business environments for smaller beer producers.